

## Application for Certification of Incapable Wells

This return is due on or before the fifteenth day of the second month following the taxable period. If the due date falls on a weekend or holiday, the return is due the next business day and becomes delinquent the first day thereafter.

[illegible]

# Instructions for completing Form O-25

**Applying for incapable well status**

This application is for the certification of incapable wells for oil severance tax purposes. An incapable well is defined as a well which is incapable of producing an average of more than 25 barrels of oil per producing day and produces 50 percent or more salt water (salt water production must be equal to or greater than oil production). All wells on the lease or property must be incapable. A copy of the latest form DM-1-R, including test data pertaining to all wells included in the lease property, must be submitted with this application.

This application may be filed by the producer, purchaser, or duly authorized representative.

The original and two copies of the completed application must be submitted when applying for the incapable oil severance tax rate. The original application will remain on file with the Louisiana Department of Revenue and Taxation, one copy will be returned to the producer, and one copy will be furnished to the taxpayer immediately after departmental approval. Copies returned to the producer and taxpayer will include certification numbers assigned by the Department of Revenue and Taxation.

The completed application must be submitted to the Department of Revenue and Taxation, Severance Tax Division, Post Office Box 201, Baton Rouge, LA 70821-0201. The due date for filing this application is on or before the fifteenth day of the second month following the production month.

The taxpayer number must be furnished on this application. All data required on this form must be supplied. It is important that all code data be furnished and that the data be accurate.

**Certification of incapable wells**

Any incapable wells certified as such are eligible for the incapable oil severance tax rate of 6.25 percent of value.

Wells which have been certified as incapable wells on this application must be reported each month on form SEV O-3. Failure to report monthly production and disposition barrels as required on the report form SEV O-3 could result in denial of the incapable oil severance tax rate of 6.25 percent of value.

Should any wells certified as incapable wells on this application subsequently produce an average of more than 25 barrels of oil per producing day or less than 50 percent salt water, the tax on this well and on any other incapable wells on the lease must be paid at the full rate. Any well certified on form SEV. O-25, that may qualify for the stripper tax rate at a later production month, must be certified by the department on form SEV. O-10 before the stripper rate can be taken. We do not allow tax rate changes between the reduced rates (stripper or incapable) unless the well is properly certified by the department on forms SEV. O-10 or SEV. O-25.

The incapable status of a well may not be transferred. A change in ownership of a well requires a new application for incapable status.

**Name of reporting company**

Name of producer or duly authorized representative submitting the application.

**Company number**

Code number assigned to the reporting company by the Office of Conservation or the Department of Revenue and Taxation.

**Revenue Account Number**

This is your 10-digit Louisiana Tax Number for Corporation Income and Franchise tax, Sales tax, Withholding tax or Oilfield Site Restoration Fee. If you are not registered for any of these taxes, please write or call the Department of Revenue and Taxation for a registration application, Form R-16018.

**Field name**

Official name assigned by the Office of Conservation to identify a field. A separate application must be submitted for each field.

**Producer and Lease name**

The producer is that person or company under whose name oil is reported to the Office of Conservation on their form R-1. Lease name refers to the official name assigned by the Office of Conservation to identify a lease.

**Conservation well number**

**Well serial number**

Refers to code numbers assigned by the Office of Conservation and reported as such on forms R-1 and DM-1-R.

**Opening stock**

Prior-period production remaining in tank for each well serial.

**Production**

Total production from this well for the given taxable period.

**Number of producing days**

The number of days the well produced during the given taxable period.

**Daily average production**

Calculated by dividing "Production" by "Number of producing days."

**Number of wells on lease** (definitions)

- 1. Capable well - a well producing an average of more than 10 barrels of oil per day and less than 50 percent salt water.
- 2. Incapable well - a well incapable of producing an average of more than 25 barrels of oil per producing day and which also produces 50 percent or more salt water per day.
- 3. Stripper well - a well incapable of producing an average of more than 10 barrels of oil per producing day.

Condensate is not at any time subject to reduced severance tax rates and is taxable at 12.5 percent of value.